

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on February 24, 2011 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, NJ.

*The following **Authority Members** were in attendance:*

Vice-Chairman Gus Escher, Public Member; Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Eileen Stokley, Designee of the Commissioner of Human Services; Bill Conroy, Designee of the Commissioner of Health and Senior Services; and, Suzette Rodriguez, Public Member (via telephone).

*The following **Authority staff members** were in attendance:*

Mark Hopkins, Lou George, Steve Fillebrown, Ron Marmelstein, Ruth Charbonneau, Suzanne Walton, Michael Ittleton, Brooke Liebowitz, Bill McLaughlin, Marji McAvoy, Taryn Jauss, Carole Conover, and Edwin Fuentes.

*The following **representatives from the State and/or the public** were in attendance:*

Clifford Rones, Deputy Attorney General; Maura Tully, Governor's Authorities Unit; Ryan Feeney, NJ Office of Public Finance; Kay Driebe and Kevin Lenahan, Atlantic Health System; Cheryl Cohen, Pantheon Capital; and Douglas Placa, JNESO.

CALL TO ORDER

Vice-Chairman Gus Escher called the meeting to order at 10:08 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 27, 2010 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

1. APPROVAL OF MINUTES **February 3, 2011 Authority Meeting**

Minutes from the Authority's February 3, 2011 meeting were presented for approval. Ms. Stokley offered a motion to approve the minutes; Mr. Conroy seconded. Ms. Rodriguez, Mr. Conroy, Ms. Stokley, and Ms. Kralik voted to approve the minutes; Mr. Escher abstained.

2. INFORMATIONAL PRESENTATION **Atlantic Health System**

Mr. Bill McLaughlin introduced Kevin Lenahan, Vice President of Finance and Chief Financial Officer, and Kay Driebe, Director of Accounting of Atlantic Health System.

Mr. McLaughlin reminded Members that the presentation today is for informational purposes only and no action is being requested at this time.

Mr. McLaughlin reported that Atlantic Health System (“AHS”) has requested that the Authority consider the issuance of approximately \$150,000,000 of bonds, the proceeds of which are expected to be used: To finance the acquisition of certain FY 2011 capital budget items for AHS and Newton Memorial Hospital; to finance the expansion of and renovation to the AHS corporate offices, Morristown Memorial Hospital and Overlook Hospital; to reimburse AHS for cost associated with such expansion and renovation; to refund the Authority’s Newton Memorial Hospital Series 1997 bonds; to fund the debt service reserve; and to pay the related costs of issuance.

The transaction is expected to be structured as a publicly issued fixed rate financing. The Hospital is currently rated A1 by Moody’s and A+ by Standard & Poor’s. It is expected that these ratings will not change as a result of this issuance.

AHS is a New Jersey not for profit organization that currently has two divisions operating as hospitals, Morristown Memorial Hospital in Morristown and Overlook Hospital in Summit. Authority Members may recall that AHS entered into a merger agreement with Newton Memorial Hospital during the fourth quarter of 2010. The merger is expected to be completed during the second quarter of this year.

The annual financial information for AHS presented in the mailed materials, indicates that Days Cash on Hand increased from 132.38 days in 2008 to 137.54 days in 2009 and remains materially stronger than the 2009 Statewide Median of 62.01 days. The Hospital’s Operating Margin for the years 2008 and 2009 was positive at 1.47% and 1.61%, respectively. Debt Service Coverage Ratio and the Cushion ratio at year end 2009 were very strong at 6.67 times and 21.39 times respectively. Days in Accounts Receivable were slightly high at 43.85 days versus the statewide median of 42.81 days and FTE’s per adjusted occupied bed were 5.61 FTE’s versus a statewide median of 5.19. Unaudited nine-month interim financial statements for the period ending September 30, 2010 indicate income from operations of approximately \$14,835,000 versus \$12,472,000 for the same period in 2009.

Mr. McLaughlin further noted that Annual Inpatient Utilization Trends for the period 2008 to 2009 are positive, showing a slight increase in inpatient admissions, while, length of stay has decreased modestly. Utilization statistics derived from interim financials indicating nine-month performance are consistent with year-end 2009 results.

Mr. Conroy asked how much of the proposed issuance was intended to be directed towards projects at Newton Memorial Hospital. Mr. McLaughlin replied that approximately \$11.2 million of the issuance be used to refund the Newton Memorial Hospital Series 1997 bonds and approximately \$17.5 million would be used towards hospital renovation costs. Mr. Lenahan noted that AHS expected to spend approximately \$17.5 million on renovations at Newton.

Mr. Lenahan added that 2010 was a very successful year for AHS and noted that their operating margin was 2% for 2010 and it is anticipated that this margin will continue to improve in 2011. He thanked Members for their support of the proposed issuance.

Mr. Escher thanked AHS and noted that, at this time, the discussion was for informational purposes only and no action was needed at this time.

(Ms. Rodriguez was disconnected from the meeting due to a malfunction in the phone system.)

3. CONSENT TO LICENSE Jersey City Medical Center

Ms. Marji McAvoy introduced Paul Murphy, in-house counsel from Jersey City Medical Center. She reported to Members that Jersey City Medical Center has entered into a License Agreement with T-Mobile Northeast, involving roof-top property encumbered under these mortgages and is seeking approval of the License Agreement from the Department of Housing and Urban Development. HUD requires consent from the Authority prior to granting their approval to enter into this agreement.

Ms. McAvoy noted that Jersey City Medical Center Series 2001 bonds were issued in the principal sum of \$200,000,000 for the purpose of acquiring and preparing approximately 9.3 acres of land in Jersey City, to construct, install and equip a new replacement acute care hospital facility and a new ambulatory care facility adjacent to the new replacement hospital, along with accompanying parking lots, roadways and driveways associated with the new facilities. Subsequently, Jersey City Medical Center Series 2003 bonds were issued in the principal sum of \$16,440,000 to complete the construction projects. These bonds are secured by a Federal Housing Administration-insured Mortgage and Supplemental Mortgage.

Ms. McAvoy added that Bond Counsel opined that the execution and delivery of the Consent will not adversely affect the exemption from federal income taxation, nor will it violate the terms of the Trust Agreements dated September 1, 2001 and December 1, 2003 between the Authority and the Bank of New York Mellon, as trustee, and does not adversely affect the rights of the Bondholders.

Ms. Stokley made a motion to approve the resolution authorizing a license to use a portion of certain mortgaged property for Jersey City Medical Center. Mr. Conroy seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-63

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves a resolution authorizing a license to use a portion of certain mortgaged property securing the mortgaged note, as amended, executed in connection with the New Jersey Health Care Facilities Financing Authority Revenue Bonds, Jersey City Medical Center Issue (FHA Insured Mortgage) Series 2001 and Series 2003 and other matters.

(attached)

4. AMENDMENTS TO THE AUTHORITY'S 2011 BUDGET

Mr. Michael Ittleton reminded Members that at the Authority meeting on February 3, 2011 Members approved the creation of the position Director of Legal, Regulatory, Grants and Special Projects. Members also approved an amendment to the Memorandum of Agreement with the Department of Health and Human Services for the Financial Database Maintenance and Analysis to include reimbursement from DHSS for 25% of the salary, fringes and overhead costs of the new Director's position, since she will be working on various assignments for DHSS.

As a result of these approvals, staff is now requesting Members' approval to amend the Authority's 2011 budget for the line items of staff salaries, fringe benefits and other operating income.

For the staff salaries line item, staff is asking to amend the budget by \$71,114.00. The amount is the prorated salary of the new Director's position from the pay period February 28, 2011 through the pay period ending December 16, 2011, less the amount of four unused pay periods for vacant positions in the Authority's budget which staff anticipates refilling shortly.

For the fringe benefits line item, staff is asking to amend the budget by \$12,885.00. Mr. Ittleson reported that this amount was arrived at basically using the same methodology as staff salaries, depending on the type of benefit.

For the other operating income line item, staff is asking to amend the budget by \$31,223.00. This amount is for the 25% reimbursement from DHSS. Mr. Ittleson added that since the billings to the department are done after quarter end, the reimbursement covers the period March 1st through September 30th.

As there were no questions on the proposed amendments, Mr. Conroy made a motion to amend the Authority's 2011 budget to permit an increase to the Authority's Staff Salaries line item in the amount of \$71,114.00 as presented by staff. Ms. Stokley seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-64

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby amends the Authority's 2011 budget to permit an increase to the Authority's Staff Salaries line item in the amount of \$71,114.00.

Mr. Conroy then made a motion to amend the Authority's 2011 budget to permit an increase to the Authority's Fringe Benefits line item in the amount of \$12,885.00 as presented by staff. Ms. Stokley seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-65

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby amends the Authority's 2011 budget to permit an increase to the Authority's Fringe Benefits line item in the amount of \$12,885.00.

Mr. Conroy then made a motion to amend the Authority's 2011 budget to permit an increase to the Authority's Other Operating Income line item in the amount of \$31,223.00 as presented by staff. Ms. Stokley seconded the motion. The vote was unanimous and the motion carried.

AB RESOLUTION NO. KK-66

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby amends the Authority's 2011 budget to permit an increase to the Authority's Other Operating Income line item in the amount of \$31,223.00.

5. APPROVAL OF EXPENSES

Vice Chairman Escher referenced a summary of Authority expenses and invoices. Ms. Stokley offered a motion to approve the bills and to authorize their payment; Mr. Conroy seconded. The vote was unanimous and the motion was approved.

AB RESOLUTION NO. KK-67

WHEREAS, the Authority has reviewed memoranda dated February 17, 2011, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$544,468.86, \$46,176.78 and \$8,546.39 respectively, and has found such expenses to be appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

6. STAFF REPORTS

Mr. Escher thanked staff for the Project Development Summary, Cash Flow Statement, and Legislative Advisory reports.

Mr. Hopkins reported the following to Members:

Audit Committee: Mr. Hopkins reminded Audit Committee Members that there will be an Audit Committee meeting with the Authority's auditors on Tuesday, March 8th at 10:00 a.m. to discuss the Authority's 2010 audit.

Governor's Budget: The Governor delivered his budget address on Tuesday afternoon and indicated that there would be a slight increase in Charity Care but that there would be significant reduction in Medicaid, mostly resulting from migrating a substantial number of Medicaid patients into commercial Medicaid HMOs. Mr. Hopkins assured Members that Authority staff will be reviewing the budget carefully over the next two months to determine how it might impact our health care credits. Other budget proposals announced effecting the Authority include cuts to the pension system for public employees and increasing public employee contributions to both the pension system and for health benefits.

Governor's Authorities Unit Meeting: Mr. Hopkins noted that he had a very nice meeting last week with Deborah Gramiccioni, Director of the Governor's Authorities Unit. Maura Tully, the Authorities Unit's representative to the Authority, also attended the meeting. During this meeting, attendees discussed the Authority in general as well as the Authority's response to the Authorities Unit's request for information about salaries and benefits at the Authority. During the discussion, Mr. Hopkins reported that Director Gramiccioni indicated there were two Authority benefits inconsistent with the Governor's policies of fiscal restraint and shared sacrifice: (i) the gift certificates provided to employees on each five year anniversary and (ii) the ability for employees to "buy back" vacation time, or receive payment for unused vacation time at the end of each year.

Mr. Hopkins reminded Members that at the last Authority meeting, he announced the termination of the anniversary gift certificate program after learning of the Governor's veto of the Redevelopment Authorities minutes based partially on that authority's anniversary gift program. In a memo from Director Gramiccioni, Authority staff was requested to terminate the ability of Authority employees to receive payment for unused vacation time at the end of each year. Authority staff will immediately comply with this request and will amend the Authority's Employee Handbook to reflect this change.

Hospital News:

- a. Joe Lario, CFO of Kennedy Health System, is retiring. Mr. Hopkins did not know yet who will be replacing him.
- b. Kimball Medical Center named Dr. Thomas Boyko as its new Executive Director. Dr. Boyko was previously Director of Medical Services and Clinical Operations at Bristol-Myers Squibb Children's Hospital at Robert Wood Johnson University Hospital. Mr. Boyko will be replacing Joe Hicks, who will continue in his position as Director of the St. Barnabas Behavioral Health Center on Route 9 in Toms River. Kimball Medical Center also announced that Michael Mimoso will be the Chief Operating Officer and Thomas Percello will be the new Chief Financial Officer. Mr. Mimoso was Vice President of Operations at Robert Wood Johnson University Hospital in New Brunswick and Mr. Percello was formerly Chief Financial Officer of ancillary services at Saint Barnabas Health Care System.
- c. The Hoboken Municipal Hospital Authority is working on finalizing an asset purchase agreement with HUMC Holdco for the sale of Hoboken University Medical Center. HUMC Holdco is a for-profit entity formed by the same principals who bought Bayonne Medical Center in 2008.
- d. Hackensack University Medical Center was named as one of the top 5% of hospitals in the country by HealthGrades, a health care ratings organization.

Authority News

- a. Ruth Charbonneau joins the Authority next Monday as the new Director of the Division of Legal, Regulatory, Grants and Special Projects. Ms. Charbonneau is a registered nurse and a lawyer who has worked at the Department of Health and Senior Services for the last 20 years, including the last seven as the Director of the Office of Legal and Regulatory Affairs.
- b. Mr. Steve Fillebrown celebrates his 25 anniversary with the Authority this month.
- c. The Authority advertised to fill the positions of Database Administrator and Account Administrator. The Authority received numerous resumes from both Authority staff and those outside the Authority. Interviews will begin next week.

This concluded the Executive Director's report.

As there was no further business to be addressed, following a motion by Ms. Stokley and a second by Mr. Conroy, the Members voted unanimously to adjourn the meeting at 10:28 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY OF
MINUTES OF THE NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY MEETING HELD FEBRUARY 24, 2011.

Carole A. Conover, Assistant Secretary